Moody's Investors Service
Global Credit Research

Municipal Credit Research
New Issue Report
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Bangor (City of) ME

Moody's Rating

Issue	Rating
2003 General Obligation Bonds, Series A, General Obligation Refunding Bonds, Series B	Aa3

Sale Amount	$10,410,000
Expected Sale Date	02/11/03
Rating Description	General Obligation, Unlimited Tax

Opinion

MOODY'S ASSIGNS A Aa3 RATING TO THE CITY OF BANGOR'S (ME) $10.41 MILLION IN GO BONDS

AFFIRMATION OF RATING AFFECTS $104.54 MILLION IN DEBT SECURITIES, INCLUDING THIS ISSUE

NEW YORK, February 5, 2003 -- Moody's Investors Service has assigned a Aa3 rating to the City of Bangor's (ME) $6.91 million General Obligation Bonds, 2003 Series A and $3.5 million Series B. At this time, Moody's has also affirmed the city's Aa3 rating, affecting $104.54 million in parity debt, including these issues. Both issues are secured by the city's unlimited tax pledge. The majority of the Series A proceeds ($6.51 million) will refund the city's GO Series 1992 bonds for a net present value savings of 7.4% of refunded principal; the balance of the proceeds ($500,000) will fund infrastructure improvements to the city's waterfront. Proceeds from the Series B bonds will refund the city's 1992 Limited Obligation Bonds, originally issued to fund projects for the Bangor International Airport. The Aa3 rating reflects the city's role as a major regional economic center, average wealth levels, well-maintained financial operations and manageable debt position.

CITY SERVES AS THE REGION'S PRIMARY ECONOMIC CENTER

Moody's expects Bangor to remain a primary regional economic center for northeastern Maine, given the trend of diverse activity and moderate, steady tax base growth. Bangor serves as the central population and commercial center for a geographically large service area. Retail and trade activities attract customers from much of northern Maine and the southern Canadian provinces. Bangor International Airport and related industrial parks further contribute to the city's importance as a trade and distribution center. Over the last five years, commercial development, particularly in the retail and service sectors, has contributed to 3% average annual increases in full valuation. Despite the city's role as a regional economic center, wealth and income levels did not grow as rapidly as state figures during the 1990s, and full value per capita is a moderate at $53,613. Employment levels remain favorable (3.2% for December, 2002), however, below state (4.3%) and national levels (5.7%), reflecting the fundamentally stable economy.

SOUND FINANCIAL OPERATIONS SUPPORTED BY HEALTHY RESERVES

Moody's believes the city's financial operations will remain favorable, given the trend of conservative budgeting, healthy reserves and expenditure controls. The city has had consecutive General Fund operating surpluses since 1998, resulting in a General Fund balance of $17.6 million (a healthy 25.1% of General Fund revenues). The city's undesignated General Fund balance is $9.3 million, which, at 13.3%

of revenues, is well above the city charter's minimum requirement to maintain undesignated reserves at 7.5% of budget. Officials expect another year of surplus operations in fiscal 2003. Operations are supported primarily by local property taxes (48%) and intergovernmental revenues (31%), with state revenues primarily designated for education. Although there may be cuts to state education aid in coming years, officials expect to maintain healthy fund balance levels going forward. The city also assesses an excise tax on motor vehicles that provides 5% of revenues. Over the last five years, the city has maintained a stable property tax rate and current year collections have averaged close to the 97% level.

MANAGEABLE DEBT POSITION

Moody's anticipates that the city's debt burden will remain manageable, given the large portion of self-supporting sewer and airport debt and average bond retirement. Approximately 40% of city debt is self-supporting from net revenues of the sewer utility and airport operations. Excluding this self-supporting debt, as well as the pension obligation bonds (POB) issued in 2002, the city's debt burden is a moderate 2% of full value, falling slightly to 1.9% when modest school building aid is taken into account. Amortization of principal is average, with 52.7% retired in ten years. The city expects to issue approximately $3 to $5 million in debt annually for capital expenditures going forward. Given the average retirement of principal, Moody's believes the city will be able to easily accommodate this additional debt without significant affect on debt position.

KEY STATISTICS:

2000 population: 31,473

2003 full valuation: $1.6 billion

2003 full value per capita: $53,613

Debt Burden (adjusted): 1.9%/3.5% (including pension obligation debt)

Payout of principal (10 years): 52.7%

Fiscal 2002 General Fund balance: $17.6 million (25.1% of General Fund revenues)

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